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RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE
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RUMIAAA/CDR USSOUTHCOM MIAMI FL IMMEDIATE
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RUEAHND/CDRJTFB SOTO CANO HO IMMEDIATE
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RUMIAAA/HQ USSOUTHCOM J5 MIAMI FL IMMEDIATE
RUEKJCS/JOINT STAFF WASHDC IMMEDIATE
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC IMMEDIATE 0797
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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000824

SIPDIS

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TAGS: PGOV PREL EAID EFIN KDEM VE HO

SUBJECT: PRESIDENTIAL ADVISOR MILTON JIMENEZ SEES ARRIVAL
OF NEW AMBASSADOR AS A TIME TO START OVER

Classified By: Charge d'affaires, a.i. Simon Henshaw, reasons 1.4 (b & d)

¶1. (C) Summary: Presidential Advisor Milton Jimenez asked PolCouns for an emergency meeting on the eve of his departure for Venezuela to sign financing agreements. He explained the GOH would receive USD 100 million for bonds to be used for housing projects, and USD 30 million for BANADESA to be used to for loans to micro and small farmers. The GOH will also get two Cuban programs involving energy-saving light bulbs and literacy efforts. Jimenez also wanted to get our reaction on their accession to ALBA, and to discount nasty attacks on the USG attributed to him by the press. His main message, however, was to reiterate the importance of U.S.-Honduran relations and to send a message that Zelaya believes the arrival of the new Ambassador is a chance to start over. End Summary.

ALBA - What Honduras is Getting?

¶2. (C) Presidential Advisor Milton Jimenez' told PolCouns that he was departing for Venezuela on September 7 to sign several papers regarding bond purchases and funding for the National Bank for Agricultural Development (Banco Nacional para de Desarollo Agricola - BANADESA) that Honduras would be receiving in exchange for signing the Bolivarian Alternative to the Americas (ALBA) agreement on August 25. Jimenez explained that the GOH had requested USD500 million in bond purchases and USD 100 million for Banadesa, but although the BRV did not dispute these requests, it said the disbursements would have to be made in annual tranches. (Note: We assume this is to ensure the GOH stays on a tight leash. End Note.)

The bond proceeds will be used to finance housing projects through the Social Housing Program (PROVISOL - Programa de Vivienda Social), which has been in existence for about 18 months and which Jimenez admitted had not been very successful. He complained that it was too bureaucratic and it took too long to get things accomplished. Nonetheless, the Zelaya administration will be pouring over USD 100 million of BRV funds into it shortly. The Banadesa funds will go directly to micro and small farmers to stimulate agricultural production.

¶3. (C) In addition to the financing, Jimenez told us that ALBA will also bring innovative Cuban programs to Honduras. First, a brigade of Cubans will start a program to save

electricity through the installation of energy-saving bulbs. PolCouns recounted her experience with the same program when it was instituted in Havana, noting that the Cubans hated the bright white fluorescent light and hoarded their old yellowish bulbs. She suggested that any program be accompanied by an educational campaign to sensitize the public to the energy savings (Jimenez said they were told by the Cubans each household could save up to 30 percent) and the new type of bulbs. Jimenez also said the Cubans would be greatly bolstering their existing literacy program dramatically, but the Minister of Education still had to travel to Cuba to negotiate the exact numbers and details. The project documents and GOH TV propaganda indicate Cubans will also supply generic medicines to Honduras. It is not clear at this point whether these programs are on a loan or a grant basis. But the National Electric Company (ENEE) was reported to be preparing to procure 4 million compact fluorescent bulbs last week on an "emergency" basis.

Message from President Zelaya

¶4. (C) Jimenez' main point was to state how important relations with the United States were for Honduras and say that the arrival of the new Ambassador could serve as a new starting point. PolCouns thanked Jimenez for accepting our request that the Ambassador be allowed to present his credentials the day of his arrival. Jimenez agreed that it was important to set aside ten minutes before the ceremony for the President and Ambassador Llorens to talk privately.

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¶5. (C) Jimenez asked for our honest reaction to Honduras' accession to ALBA. PolCouns reaffirmed the public talking points, and stated that as long as the agreement does not violate CAFTA-DR, that we have no opinion, but added that investor confidence could be diminished, which could deeply hurt Honduras. She added, however, that the USG wants our relationship with Honduras to be based on mutual respect, and that the actions of Zelaya -- laughing and applauding at Chavez' insults of the USG at the ALBA ceremony -- were not in that line of behavior. Jimenez explained these actions by characterizing Zelaya as "passionate and reactive," which often gets him into trouble. Jimenez said that Zelaya does not always think before he acts, and that he would relay the message to Zelaya and urge him to be more careful in the future. Jimenez also noted that Zelaya did not like to be pressured or told what to do, and when PolCouns asked how Zelaya was responding to Chavez' pressure, such as his public challenge in Nicaragua to join ALBA, Jimenez had no response.

¶6. (C) Jimenez lamented the recent press reports where he was quoted as having said that President Bush was a drunk and other derogatory statements, and asserted the quotes were false. He said the Zelaya administration no longer has any relations with Jorge Canahuati, the publisher of El Heraldo and La Prensa newspapers, and has strained relations with the other major media. Jimenez explained that Zelaya feels he has lost touch with the Embassy and no longer has a channel of communication to get our feedback on things. Jimenez confided that Zelaya was upset with Foreign Minister Edmundo Orellana because he traveled too much and paid no attention to the U.S. Embassy and our bilateral relations. To remedy this, PolCouns suggested, and Jimenez heartily agreed, to establish weekly or biweekly meetings so that any issues that emerge could be discussed.

¶7. (C) Jimenez also lamented that in his opinion, private Honduran businesspeople do not care about their country, but will do anything to personally get ahead. He mentioned that the divergent statements made by the two business association leaders and their memberships sent unhealthy mixed messages, and said confrontation between the GOH and the private sector was very dangerous for the country.

Comment

¶7. (C) This meeting, called right before Jimenez runs off to Venezuela to sign agreements, was obviously meant to try to explain away the GOH actions and take our pulse on ALBA issues. It was apparent that Jimenez was sent to "make nice" and try to repair damage, plus send a message that Zelaya wants to start fresh with the arrival of the new Ambassador.
End Comment.

HENSHAW